

hands of the producers and by the long terms for which the money is advanced. Long-term loans, in the absence of large deposits, can only be made by fresh issues of paper money and M. Witte made declarations in his report as to the effect of such issues strangely like the declarations of Mirabeau when the French *assignats* were authorized and of Secretary Chase when he was urging upon the American Congress the substitution of legal tender government paper for bank-notes.<sup>1</sup> "The value of these bills," says M. Witte, "issued exclusively for a useful object, will be maintained by the productiveness of labor, and the issue of such bills will not influence the quotations of the credit rouble, because in making these issues in a manner responding to the object in view the quantity of securities in circulation will be at the same time increased."

The government of Russia, however, has undertaken a comprehensive policy for the development of the resources and productive power of the country. It has been felt by those who shape this policy that the government should take the initiative in measures which in other countries would be left to private enterprise. This course has been adopted by Russian statesmen, not in ignorance of the laws of finance and political economy, but under the conviction that those laws would not come rapidly into operation to stimulate commercial and credit operations in an agricultural country without the example of the leadership of the state. This conviction is the keynote of the present policy of the Bank of Russia. The government is willing to take steps in making loans to producers which would not be taken by a private financial establishment, because it is willing to risk something of the national wealth for the sake of increasing it, and because the strong hand of the government can be appealed to for the purpose of punishing defaulting debtors. The issue of paper money, through the instrumentality of a great bank, is felt to be a necessary means for supplying the people with that ample supply of monetary signs which proved so

<sup>1</sup> *Vide Ch. xv., p. 399.*